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Foreign Agricultural Service

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Foreign Agriculture

Exporting to the Soviet Union: New Freedoms, Old Constraints

Marketing News

Journal of Commerce Publishes Agricultural Trade Leads

The *Journal of Commerce,* a daily newspaper published in Washington, D.C., for the U.S. business community, is now publishing agricultural trade leads on market opportunities for U.S. agricultural exporters.

Each year, the U.S. Department of Agriculture's Foreign Agricultural Service receives about 4,000 trade inquiries from overseas firms that seek to buy or represent U.S. agricultural products. Until recently, these leads were mailed to subscribers and published electronically by EDI, a subsidiary of Martin Marietta Corporation. Publication of leads in the Journal of Commerce provides a faster means of communicating with exporters who cannot access trade leads electronically, and makes the information available to a wider audience. The newspaper accesses the agricultural trade leads through EDI and has no exclusive rights or time advantage in disseminating the material.

The Journal of Commerce also publishes notices of export sales opportunities for non-agricultural products which are generated by the U.S. Department of Commerce. Now, for the first time, the U.S. export community can get trade leads for agricultural and non-agricultural products from a single source.

Shrimp Farming in Asia Benefits U.S. Soybeans

Shrimp farming has become big business for farmers in Japan, Korea, Taiwan and southern China, as well as for U.S. soybean meal exporters, thanks to the **American Soybean Association's** (ASA) aquaculture programs which use soybean meal as feed. According to Dr. Dean Akiyama, head of ASA's aquaculture programs in Southeast Asia, feed trials have shown that shrimp feeds can contain up to 40 percent soybean meal with no substantial loss in overall production. In the past, shrimp were fed only fish meal.

"We've proven that soymeal mixed with fish meal can save a farmer up to 45 percent on feed costs," Akiyama said. "We're demonstrating these principles in a pond, not an aquarium."

"This is good for everyong involved," he said. "U.S. farmers can sell more soybeans, the price of shrimp goes down and everyone benefits by having a healthy diet."

U.S. Wheat Promotes Bread in Colombia

Trying to sell wheat products to a country where only 13 percent of surveyed consumers mentioned bread as a food item is no easy task. But that is what the **U.S. Wheat Associates** set out to do in Colombia four years ago. Since that time, the Colombian government has increased its wheat import quotas significantly. The 1988 wheat import quota was increased by 20 percent to 28.8 million bushels.

Traditionally, the government of Colombia has had low regard for wheat and its end products and actively discouraged wheat consumption by heavily taxing imports and by controlling the availability of wheat.

Despite this, U.S. Wheat Associates joined forces with the Colombian millers federation in 1984 in an attempt to increase consumer demand for bread and pasta. According to Alvaro de la Fuente, U.S. Wheat vice president for South America, this first effort resulted in increased wheat consumption, which in turn influenced the government to raise its 1985 wheat import quota 7 percent to a record 22.8 million bushels—95 percent of which was U.S. wheat.

This effort was followed by a second program in 1985, during which 20,000 bread samples were handed out daily for two weeks at the Bogota International Trade Fair. The government responded by raising the wheat imports quota by 11 percent.

In 1987 U.S. Wheat and the Colombian millers conducted a nationwide six-month, multi-media bread and pasta promotion, partially funded by USDA's Targeted Export Assistance program. The campaign's slogan was "Bread is life, for the country and the national economy," and bread was depicted as the spiritual symbol of food. The success of this campaign was illustrated by the government's increase in the 1988 wheat import quota.

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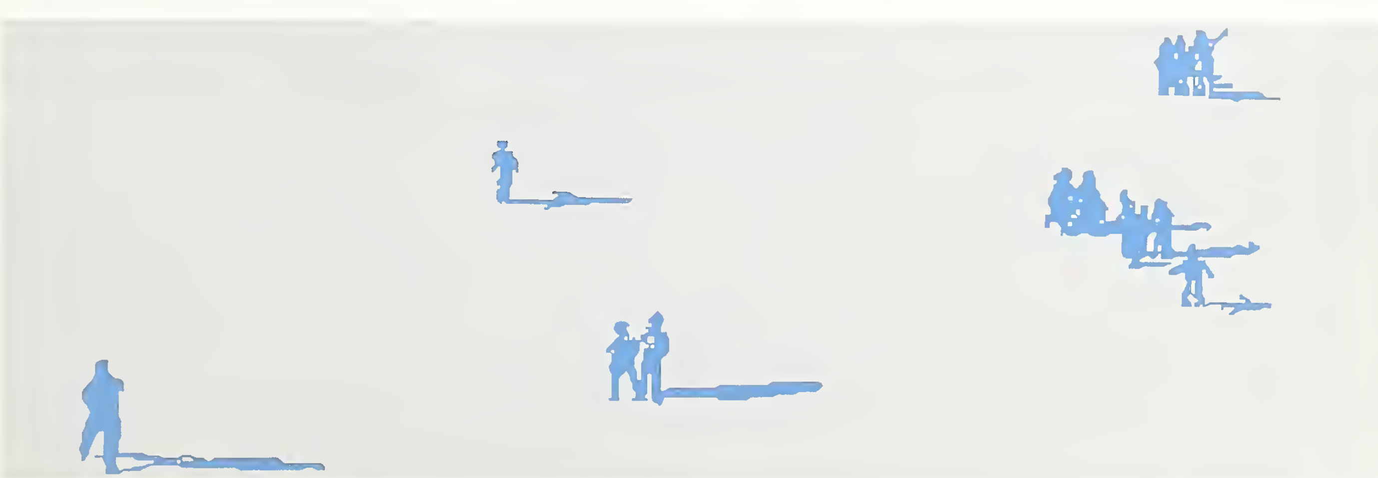

Exporting to the Soviet Union: New Freedoms, Old Constraints

*The Soviet Union has undertaken a dramatic restructuring of government agencies in recent years which will continue to affect trade with the United States. Thomas Hamby recently returned from Moscow, where he served as the agricultural attache for two and one-half years. This month, Hamby talks with **Foreign Agriculture** about the current agricultural trade situation with the Soviet Union.*

Foreign Agriculture: Looking back on your years in the USSR, did you observe any change or improvement in agricultural trade?

Hamby: Probably the most potentially significant change I witnessed was an increased recognition of the importance of trade by the Soviet leadership. The government has been restructured over the last few years to foster freer trade, where historically, it had been very cautious.

The new structure gives authority to government officials at local levels to trade food products. If the experiment works out, it could be a substantial improvement over the old system, where all requests for trade had to be bottlenecked through Moscow.

FA: That sounds like good news for U.S. exporters.

Hamby: Yes and no. While there ultimately may be a greater range of contacts to make, they are still hard to find, and it is unclear how much authority many of the newly organized trade organizations will have to negotiate foreign trade contracts. For the most part, a U.S. exporter still has to rely on word of mouth to make contacts.

FA: Has the drop in world oil and gold prices in recent years affected U.S. trade with the Soviet Union?

Hamby: It has had a dramatic effect on Soviet trade. Foreign currency is tight for the Soviet government, which in turn has decreased the Soviet Union's buying power significantly.

Trade negotiations between the Soviets and other countries are turning more and more into barter negotiations. From their point of view, the Soviets are in a better position to exchange their products for foreign products than to pay in foreign currency.

This is a difficult constraint on trade from the U.S. standpoint. The Soviet Union simply does not have the ability to supply the quantity or quality of either agricultural or non-agricultural products which would make a barter arrangement feasible.

The United States imports annually around $25 million worth of Soviet agricultural products, while Soviet imports have averaged around $2 billion. In overall trade terms, the balance of trade has remained heavily in favor of the United States.

This situation has led to continuing Soviet pressure to lift U.S. import restrictions on Soviet furskins and other commodities and pressure for most-favored-nation[1] trade status which would give the Soviet Union preferential access to the U.S. market. These issues as well as the barter trade concept are likely to continue to appear in the context of any trade negotiation between the Soviet Union and the United States.

The Soviets' foreign currency deficit also has led to trade-offs in what is imported. Agricultural commodity imports have increasingly faced competing demands for high-priority technology such as plant and equipment among Soviet planners.

FA: Why would a country which is a world leader in some areas have to import technology?

Hamby: The Soviets realize that they lag behind other nations in technology and production. In areas such as agriculture and most industries, production methodology is outmoded and incapable of supplying the Soviet economy with the goods and services the leadership and general population desire.

The Soviet government is striving to overcome its deficiency in this area. *Perestroika* is the government's term for its restructuring, the aim of which is self-sufficiency and improved efficiency and productivity.

The government is interested in importing methods and equipment that will provide a "quick fix" for a multitude of problems the Soviets have been facing for the 70 years since the Great Revolution and the 40-plus years since World War II which, as an excuse for the condition of Soviet industry, is wearing increasingly thin.

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[1]The most-favored-nation principle is the willingness of a country to grant the same favorable trade treatment to most countries that it grants to any one country.

Unfortunately, this aim of self-sufficiency eats into the amount of foreign exchange available for foreign imports, hence agricultural imports, which are perceived of lesser priority by many in the leadership, are bound to suffer.

FA: Can you give an example of areas in which this trade-off has affected U.S. exports?

Hamby: It is probably fair to say that the Soviet non-performance on the U.S.-USSR Long Term Grain Agreement[2] could be attributed in part to the shortage of foreign exchange and the rise in demand for it from competing sectors of the Soviet economy. This is an oversimplification, because other factors like the rise in subsidized grain exports from the European Community (EC) also played a part.

FA: What are the major U.S. commodities exported to the USSR?

Hamby: Grain and soybeans are the major commodities. Other exports include—or have included in the recent past—almonds, cotton, tobacco and forest products.

FA: Is there any potential for exports of high-value products to the Soviet Union?

Hamby: Not really, at least not in the near future. The Soviets' goal of self-sufficiency does not lend itself to imports of high-value products. The Soviets feel they should produce for themselves or import on a barter basis from Eastern Bloc trading partners.

One exception is that a few Danish companies have worked with the Soviet government to supply the diplomatic community with high-value products. However, these products are mainly out of reach for most Soviet citizens.

FA: How does an exporter establish a trade relationship with the Soviet Union?

Hamby: Trade with the Soviet Union is very different from that with other countries. U.S. exporters cannot just contact an importer or an agent and write a contract. Instead, they must go through the Soviet government in order to get a product into the Soviet Union. That is no easy task.

Official contacts, called foreign trade organizations, can enter into legal trade contracts with foreign firms and governments. They are the initial contact for foreign exporters and may be the only contact throughout the course of trade negotiations.

However, it is sometimes difficult to locate and identify an official with the authority to conduct trade. Directories with phone numbers and addresses for government officials are limited, and in some cases appear not to exist. Telephone and telex communications are difficult to establish and maintain. The on-going reorganization of trading organizations and changes in key personnel can put negotiations in limbo for substantial periods of time.

Once an exporter reaches the proper authority, it still may take years of cultivating a relationship before an exporter is able to conduct business in the

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[2] *The current five-year grain agreement which expires September 30, commits the Soviet Union to buy 9 million metric tons of U.S. wheat and corn products each agreement year (October 1-September 30), of which 4 million metric tons must be wheat and 4 million metric tons must be corn. The Soviets have the option of satisfying the remaining 1 million tons by purchasing wheat, corn, soybeans or soybean meal, with every ton of soybeans or meal counting as two tons of grain.*

Soviet Union. There also is a very real chance that the contact an exporter has cultivated will be replaced by someone with whom the exporter is unfamiliar.

FA: Are there any U.S. commodity trade associations (cooperators) working on market development projects in the Soviet Union?

Hamby: The most active cooperators at work in USSR are the American Soybean Association, the U.S. Feed Grains Council, the National Renderers Association and U.S. Wheat Associates. The Holstein-Friesian Association also is working on establishing some programs there.

Cooperator programs generally concentrate on working with Soviet experts in areas the Soviets have identified as key impediments to improved productivity. Most effort currently is being directed at improving livestock feeds and livestock genetics. Again, *perestroika* is at work here. The Soviets are primarily interested in improving what they already have.

For instance, many Soviet feed mills are old and need modernizing. Realizing that higher quality feeds will improve their herds, the Soviets recognize and appreciate the level of expertise U.S. cooperators offer them.

In contrast to their work in other countries, U.S. cooperators do not try to reach Soviet consumers directly. Soviet consumers have no say in what ends up on market shelves.

FA: Which countries are in competition with the United States for the Soviet market?

Hamby: Most of the competition comes from the European Community. The EC has established itself as a regular supplier to the Soviets, one they can trust. Also, the EC is closer to the Soviet Union geographically, which makes trade easier and cheaper.

Historically, the U.S.-Soviet relationship has been so "on-again, off-again" that confidence and reliability are hard to establish and maintain. I think the establishment of a strong trading relationship can lead to a softening of the ebb and flow of political tides.

FA: Do the Soviets affect U.S. trade with Eastern Bloc nations?

Hamby: Soviet-Eastern Bloc trade agreements do exist. And the Soviet Union, as the dominant partner in the past, has been able to pull products and commodities into the Soviet Union that Eastern Bloc countries might otherwise have exported to the United States as well as other countries.

FA: What is the potential for future exports to the Soviet Union?

Hamby: The Soviets will continue to need to import because of domestic production shortfalls, demand for higher quality products and inefficiencies in processing.

Bulk grain imports should stabilize and in the future may decline if the Soviet Union continues to press for quantitative and qualitative improvements in the agro-industrial sector. Increased grain productivity is a major focus of the *perestroika* effort in the agricultural sector. Growth is possible in the protein market—such as soybeans—but the Soviets continue to stress self-sufficiency as a primary goal in their agricultural policy.

The Soviets recently have become interested in joint venture projects with foreign countries. This may open doors for U.S. exporters who are willing to invest time and money in building a long-term relationship with the Soviet Union. Many of these ventures are currently in the area of technology, and will involve producers of agricultural chemicals, fertilizers and seeds, as well as projects in various sectors of the food and agricultural product processing industry.

It is likely that most Soviet interest in this area will be directed at agricultural plant and equipment rather than to U.S. agricultural commodities. ■

Serving Meat or Saving Money: A Dilemma in Eastern Europe

By Miles Lambert

Since producing meat is a costly operation, policymakers in the Eastern Bloc nations face a tough set of questions as they weigh the pros and cons of raising livestock. Their answers can have an impact on U.S. exports of feedstuffs.

A decision to gear up operations and satisfy consumer demand for meat could increase the six-nation area's imports of U.S. feed grains. The countries involved—Bulgaria, Czechoslovakia, the German Democratic Republic (GDR), Hungary, Poland and Romania—are the Soviet Union's East European partners in the Council for Mutual Economic Assistance (CMEA).

While net grain imports by the region have tended to decline so far this decade, imports remain subject to considerable fluctuation owing to the weather. It is not unusual for strong demand to emerge in any given year in a particular country.

Imports of oilseed meal, three-quarters of which are soybean meal, have been especially promising. Despite growing domestic production of feed preparations, imports have trended upwards in recent years.

To capitalize, U.S. exporters need to keep a close watch on developments in the livestock sectors in the individual countries. The region promises to remain a sizable market for feedstuffs well into the future.

Facing Soviet Drive To Reform

The Soviet drive for "restructuring" has stirred debate in Eastern Europe over economic reform and will be of crucial influence on the question of whether or not meat production will be augmented there. The CMEA countries are responding differently to the dilemma.

Each country has had to examine its relative strengths and weaknesses in trade, as well as the potential of individual livestock sectors and the possibility of substituting domestic feedstuffs for imported ones.

A key concern revolves around the status of trade deficits and external debts. In an effort to update industrial manufacturing and improve productivity, the CMEA countries during the 1970s increased their import bill to purchase technology from the West.

During the same period, their exports fell behind because their manufactured products were not selling in foreign markets. As a result, trade deficits rose along with external debt.

The gross hard-currency debt in the region deepened from $5 billion in 1971 to $66 billion in 1980, and to $79 billion in 1986. These increases have made it difficult to get credit and have caused the countries to take remedial action.

Consumers Bear Debt Burden

To help alleviate the debt, all of the East European regimes have tried to restrain consumer demand. This has been accomplished through price hikes and rationing.

Controlling expenditures on food also is necessary because state subsidies for retail food add to the budgetary expenses entailed in production.

Although East European countries plan to maintain daily caloric intakes (which generally are on a par with levels in Western Europe), the CMEA nations are trying to skew consumption toward foods which cost the state relatively less to produce, in order to save on subsidies. Nevertheless, overall consumption of meat is treated by most policymakers as a special case.

Material incentives are deemed crucial to gaining worker confidence and cooperation in economic reform programs. The availability of meat, which is seen by workers as a gauge of their standard of living, is regarded as a way to provide incentives. Conversely, policymakers are aware that an appreciable decline in meat supplies could cause social unrest.

Meat Versus Hard Currency

Policies on meat are especially important because they can have significant economic impact. Maintaining or eventually increasing meat consumption levels can easily run counter to efforts to resolve the hard-currency debt problems.

On the one hand, all of the countries in the region are net exporters of meat, and some want to maintain or increase those exports to earn hard currency or use in barter for goods otherwise available only by hard currency purchases. On the other hand, increasing domestic meat production requires imports of additional feedstuffs, much of which can be obtained only with hard currency.

The impact of meat consumption on the hard currency issue is being viewed differently by the several Eastern European CMEA members. However, there are similarities of approach according to whether countries tend to be net importers or net exporters of farm commodities. Countries in the north typically fall into the category of net importers, and countries in the south are net exporters.

Here is a brief look at some of the individual concerns of each of the six CMEA countries facing the problems of meat consumption.

The northern Eastern Bloc countries—Poland, the GDR, Czechoslovakia—are likely to continue their traditional pattern of emphasizing exports of industrial raw materials and finished goods in order to earn foreign exchange to invest in food output for domestic consumption. Agricultural export sectors in these countries tend to be few. In the case of livestock products, exports are mostly confined to a few traditional specialties.

Poland

As a result of political turmoil and the resulting cutoff of Western credit that could be used to import feedstuffs, per capita consumption of meat in Poland slipped from 82 kilograms in 1980 to 63.6 in 1984. Consumption has been inching up since then, but within constraints imposed by a meat rationing system. (Polish meat consumption figures include fat.)

Polish policymakers aim for a gradual increase of meat output and consumption through economic restructuring. Retail price increases are viewed as crucial to the program in order to stimulate Poland's predominantly private livestock sector and end meat rationing. However, increases announced on January 30, 1988, included a 39-percent raise in prices for prime cuts of meat, which is liable to hold down consumer demand in the short term.

Although traditionally a net importer of food, Poland enjoyed net-exporter status in 1986, and probably in 1987 as well, owing to increased grain output in the past several years. Poland wants to remain a net exporter, and it views self-sufficiency in food in terms of overall trade. Accordingly, increased imports of feedstuffs could be affordable if the expense can be made up by export sales from the processed fruit and vegetable sectors.

With the largest hard currency debt in the region ($33.5 billion in 1986), Poland wants to export to the West as much meat as it can without cutting into domestic consumption.

However, meat exports are not by themselves likely to cause a significant increase in Polish imports of feedstuffs. A substantial portion of Polish meat exports—one-third in 1986—consists of high-quality canned hams produced from hogs raised by traditional methods that do not favor use of contemporary feeds and feeding techniques.

German Democratic Republic

Unlike Poland, the GDR does not feel compelled to strive for an increase in meat consumption. Per capita consumption, at 96 kilograms in 1986, is the highest in Eastern Europe. Claiming that their success is derived from centralized planning, GDR leaders have resisted Soviet calls for economic reforms.

The GDR, which has both the largest surplus in total trade (about $1.5 billion in 1986) and the largest deficit in farm trade (about $1.3 billion in 1985) in the region, is particularly anxious to maximize use of domestic feed resources, even if of inferior kind, because of its hard currency debt ($15.3 billion in 1986).

Despite its large farm trade deficit, the GDR is a net exporter of meat—an estimated 137,000 tons in 1985—shipping mostly beef and pork to West Germany.

The exports occur as a result of state-determined "surpluses" that can be disposed of more advantageously on a foreign market. However, meat exports run counter to the GDR's conception of self-sufficiency, which is to balance output and consumption in individual categories of farm goods, and consequently are slated to be minimized. Cuts in animal numbers are to be made possible by ongoing advances in feeding practices and animal productivity.

Czechoslovakia

Although an active proponent of reform measures, Czechoslovakia is not planning to increase consumption of meat appreciably in the near future. Per capita consumption, at 87 kilograms in 1986, already compares favorably with the rest of the region. However, the country's trade deficits have necessitated consumption constraints for the present.

Pork production is expected to rise slowly in coming years, but it will be largely offset by declining beef output. Surpluses of meat, which in the past have led to exports, are to be reduced.

The increase in pork production likely will not entail significant increases in imports of feedstuffs. Unpublished regulations may restrict protein meal consumption to levels considerably below the norm for developed countries.

Moreover, attempts are being made to increase domestic output of oilseeds. Also, barter arrangements are being sought to secure imported protein meal supplies, even if of inferior quality, in order to hold down hard currency outlays.

The southern countries of the Eastern Bloc—Hungary, Romania and Bulgaria—rely heavily on agricultural exports because of their advantages in climate, land resources and rural labor, as well as the fact that they have less developed industrial sectors. Carcass meat and a range of specialty meats and dairy products are produced specifically with export markets in mind. Decreased imports of feedstuffs, to be achieved by domestic production of the same kinds, are a goal for future years. In the meantime, imports of feedstuffs will continue as long as they are justified by livestock product exports.

Hungary

As the leading economic reformer in CMEA, Hungary has sought to assure its people a relatively abundant availability of consumer goods, including meat. Per capita meat consumption, at about 77 kilograms in 1986, is the highest in the south. However, further consumption

gains are constrained by a reform program which aims to minimize retail subsidies and raise Hungarian prices to world levels.

Hungary is by far the largest agricultural exporter in the region (over $1.8 billion in 1986) with a substantial farm trade surplus ($1.1 billion). Its exports of meat (414,000 tons in 1985) consist primarily of poultry meat, most of which is marketed in the Middle East and North Africa. However, exports also include a wide range of pork products sold to Western markets.

Hungary's advantage in livestock products is due in large part to its considerable ability to produce feedstuffs. It has a relatively large surplus of grain and is a substantial producer of oilseeds (mostly sunflowerseed).

Nevertheless, Hungary's livestock sector requires oilseed meal imports. Although the imports are costly if viewed against the country's troublesome hard currency debt, the expenditure apparently is more than offset by hard-currency exports of meat.

Romania

In a drive to eliminate its foreign debt by 1990, Romania is pursuing a policy which combines curbing consumption and maximizing exports. Currently, Romania has rejected the CMEA call for economic reform in part because undertaking such a program could interrupt production in some sectors and interfere with trade plans.

Romanian consumers have been forced to bear the brunt of government policies. As a consequence, per capita meat consumption, already the lowest among the East European CMEA countries, has been declining since 1982.

The severe conditions resulted in civil unrest in late 1987, and the government has increased meat supplies sporadically since then. However, there has been no indication of scaling down the export program.

Despite the deteriorating standard of living, Romania has increased its farm trade surplus in recent years and is second only to Hungary as an exporter of meat (266,000 tons in 1985). Beef and pork are exported either in barter or for hard currency.

Oilseeds and oilseed meal must be imported to sustain production at current levels. However, substantial domestic grain and oilseed (sunflowerseed and soybean) supplies help restrain imports of feedstuffs in most years.

Bulgaria

Efforts to spur industry through economic decentralization have expanded Bulgaria's imports of technology and made its total trade deficit the largest in the region.

Poor grain crops in the past several years have reduced a once substantial farm trade surplus of over $4.8 billion in 1980 to slightly over $100 million in 1985.

With an eye to its trade and payment difficulties, Bulgaria, although a vociferous supporter of economic reform, is reluctant to bolster worker incentives through expanding supplies of consumer goods. Per capita meat consumption, in particular, seems to have leveled off at about 75 kilograms in the past several years, after making steady gains earlier in the decade. (Bulgarian meat consumption figures include fat.)

Bulgarian meat exports—mostly beef, poultry and pork—have been trending upward, reaching about 126,000 tons in 1985. For the most part, exports have gone to North Africa, the Middle East and Western Europe in return for hard currency or bartered goods.

Bulgarian imports of feedstuffs have been allowed to rise to make up for domestic shortfalls in crop output. A recent reorganization of the country's productive resources may be aimed in part at enhancing regional self-sufficiency in food, thereby augmenting export supplies. ■

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U.S. Livestock Exporters Can Find Niche in Trade With Balkan Countries

By Gregg Young

Like many countries around the world, Romania, Yugoslavia and Bulgaria—three of the Balkan countries—are finding imports curtailed by foreign exchange constraints and government policies on imports. However, U.S. exporters willing to "work" these markets in anticipation of openings for sales often will find their efforts rewarded.

One such example is in livestock trade. Although the term "sporadic" probably best characterizes U.S. exports of animals and animal products to these Balkan countries, there is room for opportunity for U.S. exporters in this market.

U.S. exports of animals and animal products to Romania, Bulgaria and Yugoslavia totaled nearly $24 million in calendar year 1987. Although this level of trade is far below that of three years ago when exports were nearly $100 million, it is important to remember that year-to-year fluctuations in these countries' trade are the rule rather then the exception. Whole cattle hide exports to Bulgaria, for example, grew to over $3 million in 1985 and then abruptly nose-dived to zero in 1987.

Romania is the strongest export market in the Balkan region, accounting for about 60 percent of the value. Yugoslavia's share averages about 38 percent, and Bulgaria the rest.

Hides and Skins Lead the Way

The bulk of U.S. dairy, livestock and poultry exports to these three Balkan countries is in the form of hides and skins to supply the countries' leather processing industries. This product group represented 92 percent of all 1987 U.S. exports in animals and animal products to the region. Whole cattle hides represent the big ticket item, with pig and hog skins in second place. Other types of hides and skins have been exported to this market over the past five years, but not in 1987.

Balkan Countries Turn to Imports for a Variety of Livestock Products[1]

Livestock Product	Country	Imports as a Percent Of Total Supply
Hides and skins	Yugoslavia	38-50
	Romania	50-60
Tallow and grease	Yugoslavia	7-25
	Bulgaria	33-36
	Romania	0-12
Eggs	Yugoslavia	4-11
	Romania	0-2
Poultry meat	Yugoslavia	0-1
	Romania	0-2
Chicken meat	Romania	0-2
Butter	Yugoslavia	10-25
	Romania	0-4
Cheese	Yugoslavia	0-11
	Romania	0-1
Nonfat dry milk	Yugoslavia	0-30
	Romania	0-29
Beef and veal	Yugoslavia	7-10
	Romania	0-20
Pork	Yugoslavia	0-3
Lamb, mutton, goat	Bulgaria	1-2

[1]1975-88 data.

The remaining 8 percent of 1987 U.S. livestock and product exports to the Balkans is distributed throughout various categories, including bull semen, animal fats, cheese, lactose, poultry products and poultry breeding stock. The volume of exports in these commodity groups tend to fluctuate widely, and once again, U.S. exporters need to be aware of market opportunities.

Lack of Hard Currency Squeezes Imports

One of the biggest restrictions to stable and increased imports from the United States is the availability of hard currency and/or credit. The need to reduce hard currency expenditures in each of these countries has been a prime reason for reduced U.S. exports. The strength of the U.S. dollar, as compared to other western currencies, during the past three years only compounded this problem.

Import privileges reflect the national economic situation and are generally coordinated in some way. Therefore import agencies and firms can only import after fulfilling very certain criteria.

In some cases, the allocation of hard currency for specific imports can be justified based on the hard currency earning potential of the finished product. U.S. exports of hatching eggs and baby chicks are a prime example. Imported genetic stock is frequently used in these countries in order to compete later on the international poultry meat market and earn hard currency.

Prospects for the Future

Prospects for future U.S. exports of dairy, livestock and poultry products remain quite good. Basically two types of markets exist—one in which competitors are currently supplying the market, and one in which markets are not currently being met due to national import policies.

The potential for export activity in these livestock commodity markets clearly does exist, as seen from the import demand (see table). However, U.S. exporters must be aware of the specific market characteristics and requirements and tailor their marketing accordingly.

For example, U.S. exports of beef and veal to Yugoslavia most likely will be of a higher quality than the manufacturing beef currently being imported. High-quality beef from the United States is more competitive, and a market could be developed in hotels along the tourist route of Yugoslavia's Dalmatian coastline.

Another major market potential exists in all three countries for genetic stock. Some bull semen and poultry genetics currently are being exported to Balkan countries, but the demand is much greater. Recent meetings with officials in both Sofia and Belgrade have emphasized this unmet demand. ■

The author is with the Dairy, Livestock and Poultry Division, FAS.

Fact File

Agricultural Advisory Committees for Trade

Agricultural exports have become increasingly important for U.S. farmers. Since one dollar of every five the U.S. farmer earns today comes from sales to markets around the globe, the impact of international trade issues on the nation's agriculture likewise has grown in importance. To make sure that the varied farm interests in the United States have a voice in determining agricultural trade policy, 10 private sector advisory committees have been created to provide advice and expertise to the Secretary of Agriculture and the U.S. Trade Representative.

APAC Provides Advice on Broad Range of Policies

The Agricultural Policy Advisory Committee (APAC) provides a broad range of policy advice on agricultural trade issues. For example, 16 APAC members recently accompanied the Secretary of Agriculture and the U.S. Trade Representative to Geneva, Switzerland, to discuss agricultural trade reform with key representatives of major trading partners under the General Agreement on Tariffs and Trade (GATT).

ATACs Assist on Commodity-Specific Issues

Nine Agricultural Technical Advisory Committees (ATACs) assist in commodity-specific matters affecting cotton, dairy products, fruits and vegetables, sweeteners, grain and feed, livestock and products, oilseeds and products, poultry and eggs and tobacco. Each committee gives detailed technical advice and information on issues pertaining to its particular commodities.

How the Committees Are Chosen

Members of all the committees are appointed jointly by the Secretary of Agriculture and the U.S. Trade Representative and serve at their discretion. Members are not paid for their services, and per diem and travel funds are not provided.

In order to represent the varied farm interests of the United States, the committee members must have balanced representation and demonstrated leadership in their respective areas. The technical members must have commodity expertise and a knowledge of the effects that trade issues have on the commodities they represent.

The committees normally meet in Washington, D.C., at least once a year, but generally tend to meet three to four times a year to address specific issues which may arise.

How the Advisory Committees Were Formed

In the 1960s, advisors from the private sector helped in the Kennedy Round of GATT negotiations as part of the U.S. policy development and review process. When the Trade Act of 1974 was passed, a formal mechanism for advisory committees was included. The arrangement was well received by both the government and the private sector during the next GATT round, known as the Tokyo Round. In 1979, when legislation was adopted to implement the agreements of the Tokyo Round, a provision was included for the continuation of advice from the private sector through the advisory committees.

For more information, contact Eileen Rainey, Office of the Administrator, Foreign Agricultural Service, USDA. Tel. (202) 447-7645.

U.S. Farm Exports and the Debt Crisis: Has the Slide Ended in Latin America?

By Craig Tenney

The debt crisis, which peaked in 1982 with Mexico's announcement that it could no longer meet scheduled interest payments on its debt, has had a profound effect on the level of U.S. agricultural exports to Latin America, cutting some countries' imports by half.

However, as major Latin American countries such as Mexico, Argentina and Brazil return to normal relations with the international banking system, the slide in U.S. agricultural shipments has been halted and the situation looks more positive for future sales to the region.

The debt crisis did not happen overnight. The primary causes leading to Mexico's 1982 announcement and the subsequent shock within the financial community were deep laid. Since the first steep oil price rise of 1973-74, developed country lenders had been injecting into the international financial system the "easy money" deposited by oil exporters.

In response, middle-income developing countries increased their borrowing dramatically, their debt increasing at an annual rate of 21 percent throughout the 1970s.

Finally, the after-effects of the second oil shock of 1979-80 led developed countries to adopt a policy of slow monetary growth, which in turn curtailed world economic growth, raised interest rates, lowered commodity prices and changed perceptions of debtor country credit worthiness.

Debt Crisis Has Curbed Imports

In order to meet increasing debt payments, developing nations slashed imports. The U.S. trade deficit with all developing countries increased from $3.3 billion in 1975 to $31 billion in 1981 and $57.2 billion in 1986. A U.S. trade surplus with Latin America of $1.3 billion in 1981 degenerated into a $13-billion deficit by 1986.

Between 1981 and 1985, U.S. agricultural exports to developing countries dropped from over $15 billion to $12.5 billion, after a long and steady rise since 1970. Since 1981, U.S. exports to Latin America have dropped by nearly half from $6.4 billion to $3.7 billion in 1987.

In 1982, for example, seven Latin American countries reduced their imports by almost 20 percent. Chile, Ecuador and Peru cut their purchases by 30 to 40 percent, and Venezuela by 50 percent.

GSM Programs Aid Debtor Countries

The U.S. Department of Agriculture's Export Credit Guarantee Programs (GSM-102 and 103) have been a key factor for maintaining exports to indebted countries since they help alleviate cash-flow and foreign exchange constraints.

Under the GSM programs, the U.S. Department of Agriculture's Commodity Credit Corporation guarantees payment to U.S. banks which lend to banks in importing countries if the importing country's bank fails to pay its debts for the purchase of U.S. agricultural commodities. When an exporter holds guarantees covering financing for the commodity exports, it is much easier to confirm letters of credit—a common payment method for international trade, and required under the GSM program.

GSM programs reduce the exposure risk to U.S. banks. With 98 percent of the port value covered by the credit guarantee, a bank's exposure of only $10 million can finance sales of $500 million. On the importing country's side, GSM programs facilitate access to longer term credit needed to deal with near-term debt service constraints. As a result, these programs have become crucial to U.S. agricultural exports in many countries with high indebtedness and other risk factors.

The GSM programs are commercial programs with prices and interest rates negotiated by the buyer and the seller. In addition, the exporter must pay a small fee for the credit coverage.

Although the program's purpose is to facilitate U.S. farm exports to countries where private banks are reluctant to make commercial loans without a government guarantee, the commercial aspect of the program necessitates that a program be suspended when a country falls behind in payments owed under the program.

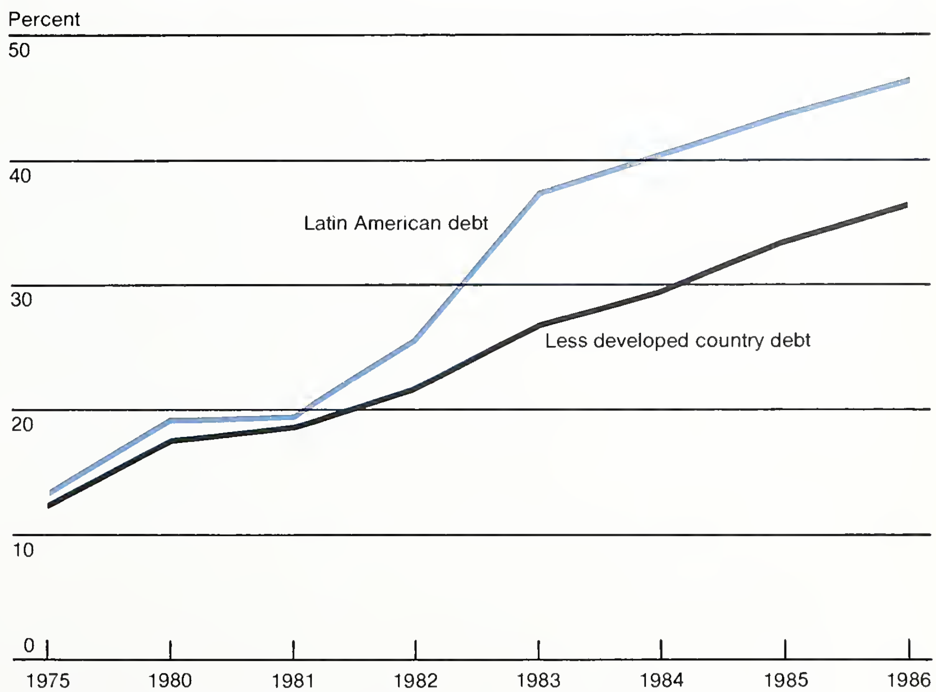
Several Latin American countries are no longer eligible for the program because of arrearages. Other Latin American countries have been reinstated into the program because they are adhering to official debt rescheduling.

While use of the GSM programs has been decreasing in many South American countries, export credit guarantees have become critical for countries in Central America such as El Salvador, Guatemala, Honduras and Mexico.

Many Factors Determine Import Cuts

For many of these countries, provision of credit guarantees is not the only factor

Latin American Debt Ratio Outpaces That of Other Less Developed Countries



Debt ratio = $\frac{\text{Public debt outstanding and disbursed}}{\text{Gross national product}}$

The Size of Third World Debt

Third World external debt rose from $755 billion in 1981 to a projected $1,250 billion in 1988. Partly because of vigorous devaluations, the debt-to-GNP ratio of 17 major "highly indebted countries" (12 of which are in Latin America) was substantially higher in 1986 than in 1982 (60.8 percent versus 33.5 percent).

Although the percentage increase in debt outstanding and disbursed declined after 1978, debt as a percentage of GNP increased rapidly. Debt-service ratios (the ratio of debt service—interest and principal—due on debt to the value of exported goods and services) rose from an average of 8 percent in 1976 to 22 percent in 1988.

Net capital flows to developing countries reversed from an inflow of $35.2 billion in 1981 to an outflow in 1984, and led to a total negative net transfer of $29 billion in 1987. Net investment in Latin America halved between 1980 and 1984.

Nearly half of the debt load of developing countries is concentrated in Latin America and the Caribbean nations. The debt service and interest service ratios worsened steadily from 1980 to 1986.

The social cost has been great as well. Per capita income in Latin America fell 10 percent since 1982, investment dropped by one-third and unemployment climbed over 50 percent in some countries.

Growing World Debt Has Curtailed Imports of U.S. Agricultural Products in Many Markets

Country	U.S. Ag Exports ($ Million)		Percent of U.S. Exports	Total Debt ($ Billion)	Percent of World Debt	Debt Service Ratio
	FY 1981	FY 1987	FY 1987		CY 1987	
Argentina	43.3	35.5	0.1	49.4	4.2	51
Bolivia	13.4	41.3	0.2	4.6	0.4	23
Brazil	843.4	417.9	1.5	114.5	9.6	35
Chile	345.8	40.2	0.1	20.5	1.7	62
Costa Rica	48.1	49.7	0.2	4.5	0.4	50
Colombia	201.8	114.9	0.4	15.1	1.3	31
Cote d'Ivoire	24.5	5.2	0.0	9.1	0.8	21
Ecuador	124.5	68.1	0.2	9.0	0.8	50
Jamaica	105.3	109.2	0.4	3.8	0.3	50
Mexico	2,723.2	1,216.3	4.4	105.0	8.8	52
Morocco	160.2	192.4	0.7	17.3	1.5	34
Nigeria	490.6	67.4	0.2	27.0	2.3	30
Peru	430.2	139.6	0.5	16.7	1.4	15
Philippines	337.7	258.9	0.9	29.0	2.4	37
Uruguay	6.9	4.6	0.0	3.8	0.3	21
Venezuela	898.4	459.3	1.7	33.9	2.8	39
Yugoslavia	187.8	125.9	0.5	21.8	1.8	42
Total	**6,985.1**	**3,346.4**	**12.2**	**485.0**	**40.8**	—
World Total	**43,782.4**	**27,333.7**	—	**1,190.0**	—	—

that influences buying decisions. Weather and other agronomic factors, government farm policies on production, as well as population and income growth also determine an importing country's decisions to allocate hard currency to agricultural needs.

The price of U.S. commodities relative to competitor prices is a central factor in determining purchasing decisions. The relative value of the dollar is another important element. Although the dollar has been declining generally since 1985 relative to industrialized countries' currencies, this is not true with respect to the currencies of developing countries and some bulk commodity competitors.

World economic conditions, particularly in the industrialized world, are connected to the debt issue as well. The state of the global economy helps determine the prices of debtor countries' primary export commodities, and therefore their ability to service debt.

The relatively slow world economic growth of the past five years (the industrialized countries are now growing at about 2.5 percent) depressed most commodity prices, although many are rising now.

Protectionism arising from weak economic growth in developed countries can exclude developing country exports. World levels of interest rates (now fairly stable and moderate) determine the cost of new loans and the rate at which old loans can be rescheduled.

There are some positive signals for the future of U.S. agricultural sales to debt-ridden countries. In many instances, countries have trimmed food and fiber imports to minimum levels and further cuts in agricultural imports are not expected. Population growth rates should ensure that the volume of imports will grow.

A relatively weaker dollar, coupled with interest rates that are remaining steady at a moderate level, also will have a positive impact on stemming the decline in highly indebted countries' purchases of U.S. farm goods. ■

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U.S. Credit Programs Soften the Blow Of Mexico's Debt Crisis

Mexico offers a prime example of how debt can severely restrict imports and also of how U.S. agricultural credit guarantee programs were able to moderate the restriction.

Despite its windfall oil export earnings, Mexico escalated its foreign borrowing dramatically in the 1970s; its credit rating had risen along with oil prices. By the end of 1987, Mexico had accumulated a $105-billion foreign debt. Government spending programs rose as a percentage of gross national product. Servicing the resulting internal and foreign debt together requires 54 percent of Mexico's 1988 budget.

Although oil-exporters such as Mexico benefited from the recovery in the price of oil from $13.50 per barrel to around $17, oil prices are still less than half of their 1981 peak.

Despite a hefty average annual trade balance of $9.1 billion, much capital left the country as investment fell an average of 6.7 percent annually since 1982.

Per capita consumption between 1980 and 1987 dropped at least 2.7 percent annually. Average annual earnings of agricultural workers plunged in the past six years, and the purchasing power of most professional people was cut by 40 percent.

Although Mexico acquired 69 percent of its agricultural imports from the United States in 1986, overall U.S. exports to Mexico decreased an average of 11 percent annually between 1981 and 1987. Nonetheless, Mexico remains a major agricultural market for the United States, importing $1.2 billion worth of U.S. agricultural commodities (commercial sales) in 1987, up 12 percent from 1986.

The first operational GSM program to Mexico was announced at the end of fiscal year 1982 and expanded in fiscal 1983. The fact that imports of U.S. commodities covered by GSM guarantees increased much more rapidly than the overall increase from fiscal year 1982 to 1983 indicates that the GSM program had a positive impact on U.S. exports to Mexico.

Sales registrations under the GSM-102 program rose from $312 million in fiscal year 1983 (the first full year of program operation in Mexico) to $684 million in fiscal year 1986 and $724 million in fiscal year 1987. As of mid-April, sales registrations for fiscal year 1988 were $398 million and are expected to rise to approximately $740 million.

U.S. bankers have reported that without the availability of the GSM-102 program for Mexico, U.S. exports would have been drastically reduced over the past few years.

Despite its debt problems, Mexico has some positive indicators for increased U.S. agricultural exports. Mexico's population grew 2.8 percent annually between 1973 and 1985, was estimated to be 83 million in 1987 and is expected to be 104 million by the year 2000. The per capita gross national product (GNP) was $2,080 in 1985, higher than many Latin American countries. In 1987, Mexico's real GNP grew by approximately 1 percent, the first increase in several years.

Further, Mexico has made many economic reforms, partly as a consequence of debt problems, which bode well for U.S. exports. As part of its Economic Solidarity Pact announced December 14, 1987, the government has reduced its spending drastically, improving long-term prospects for the economy.

Mexico's recent accession to the General Agreement on Tariffs and Trade has improved export prospects on many fronts. Mexico has been opening its economy to foreign competition in an effort to make its traditionally highly protected industries more efficient and export-oriented, which has great potential for increasing incomes in the long run.

These reforms are credited for Mexico's new success in non-fuel exports. The overall balance of the trade surplus grew from $4.6 billion in 1986 to $8.4 billion in 1987.

These factors, as well as Mexico's frontal attacks on its debt, such as its arrangement with the Morgan Guaranty Trust for reducing its debt, make Mexico one of the best prospects for U.S. agricultural exports to Latin America.

Mexico's lowering of its trade barriers provides new opportunities for selected commodities. In fact, the office of the U.S. agricultural counselor in Mexico expects U.S. agricultural exports to increase substantially over the next few years. GSM credit guarantees will probably play a large role in this expansion.

It's "Bottoms Up" for U.S. Wines In Taiwan Market

By Leslie Berger

Liberalization of wine imports, limited exposure to European wines and a relatively high income all point to good potential for sales of U.S. wines to Taiwan, where wine drinking is just beginning to catch on.

The Taiwan wine market differs markedly from many other east Asian countries. Since Taiwan does not have a colonial history tied to the European Community, consumers have not had much exposure to European wines. In fact, they have little knowledge about grape wine in general. But familiarity with and demand for grape wines is growing.

Targeting Sales Toward Consumers

Taiwan's per capita income—at $4,335 in 1987—is relatively high for Asia, and enables consumers to afford luxury items such as wine. In addition, Taiwan's currency, the New Taiwan Dollar (NT), has appreciated over 25 percent in the past year, compared to the U.S. dollar, making U.S. wine more affordable.

Taiwan's population is predominantly Chinese, with a small expatriate population and a limited number of tourists. Most of the local population practices either Buddhism, Confucianism, Taoism or a mixture of these religions. Consumption of alcohol is permitted by all of these religious groups.

Although the Chinese traditionally do not consume large amounts of alcoholic beverages, they drink beer, rice wine (Shaohsing), whiskey and brandy. Beer and rice wines generally are preferred with meals.

Newly established drinkers prefer red, fruity wine over white. Red wine made up more than 90 percent of 1986 imports as well as the majority of sales of local wine. Only in recent years has Taiwan started to import white wines, which accounted for less than 1 percent (valued at $1,290) of all imported wines in 1986.

U.S. Wine Is Now No. 1 in Taiwan

In the first 11 months of 1987, Taiwan's total wine imports increased almost fourteenfold from 144,777 liters to 2.12 million, valued at $6.19 million.

In that time, the United States has become Taiwan's major supplier, improving its market share to 56 percent of the volume and 36 percent of the value for a total of $2.23 million, c.i.f. Most of the U.S. wine imported has been of blended "jug" wines.

France and West Germany provided most of the competition, supplying 17 and 15 percent of the volume, respectively.

Much of the gain in wine imports is the result of recent liberalization of wine importing regulations. Before January 1987, the Taiwan Tobacco and Wine Monopoly Bureau (TTWMB), which oversees domestic wine production and wine trade, was the sole importer of alcoholic beverages and cigarettes. On January 1, 1987, the Bureau agreed to liberalize imports of previously restricted products, including wine.

The Bureau is still the official importer, but as of April 1987, it began issuing licenses to interested parties who may import wine on the Bureau's behalf. The only requirement for obtaining a license is that an importer be current in all tax payments.

Also at that time, Taiwan's Coordination Council for North American Affairs and the American Institute in Taiwan signed an agreement defining "commercial importers" and extending to this group the right to import beer, wine and cigarettes on behalf of the Bureau.

The agreement outlined importing procedures, set monopoly tax values to be paid on each shipment, stipulated maximum retail margins, stated acceptable warehousing and distribution practices, outlined allowable advertising and promotion activities, and defined labeling requirements.

Taiwan also signed liberalizing agreements with 21 other major trading countries. However, Japan (which until recently had been Taiwan's major wine supplier) has not been granted the same degree of access to the Taiwan market. Also, Japanese wine is subject to higher monopoly taxes and may not be imported by private firms.

Learning the Rules Is Worth the Effort

Although import license application procedures are somewhat awkward and time-consuming, the dramatic rise in wine imports in 1987 demonstrates that it is worth the effort.

Potential importers must apply for a license with the TTWMB for a specific quantity of wine. The quantity is not limited. However, a monopoly tax of $4.10 (NT$119) per liter of wine and $1.55 (NT$45) per liter of wine coolers is assessed and must be paid to the TTWMB. This fee is charged in lieu of other import duties, harbor construction and commodity taxes.

The Bureau then issues a payment voucher to the importer along with tax-paid labels to be affixed to each bottle imported. Importers can place the orders and handle the logistics. Imported wine must be labeled correctly with the brand name, origin of product, volume, ingredients, alcoholic content and importer's name.

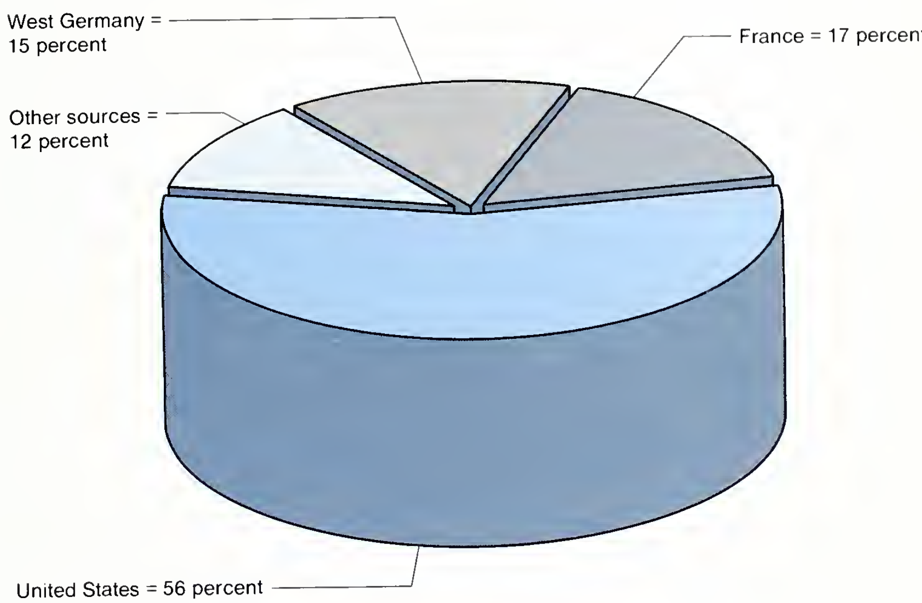
Once the wine enters Taiwan, it may be sold in various TTWMB-approved outlets such as retail grocery stores, supermarkets, department stores, social clubs, restaurants and hotels.

Wholesalers or retailers that want to sell imported wine must apply to the TTWMB for permission to supply imported alcoholic beverages. Permission is generally granted, provided there is not another outlet within 30 meters and the wholesaler or retailer is up-to-date on all income tax payments.

Channels of Distribution

Currently more than 60,000 retailers sell domestic and imported wines in Taiwan. Supermarkets carry different types of wines targeted at specific income levels. Combination supermarket/department stores sell wine by the bottle and in gift packs that are popular for Chinese holidays.

U.S. Wine Is the Toast of Taiwan Market[1]



[1]January-November 1987 data.

Although several modern supermarkets in Taipei carry a moderate selection of French, German, Italian, Australian, Japanese and local wines, two out of three supermarkets surveyed had U.S. wines on display. The most modern supermarket chain, aimed at upper- and middle-income consumers, offers the largest and most complete wine collection, including wine from California, New York and Washington State.

Small, family-run grocery stores and street vendors do not carry imported wine but sometimes sell local wines and spirits. Prices of imported wines would have to come down further in order to stimulate demand at these outlets.

Retail outlets must add an 8-percent margin to imported wine sales. This is monitored monthly by Taiwan's Tax Bureau, resulting in time-consuming record keeping.

Of the 43 hotels (four-star and above) and 6,910 restaurants in Taiwan, few carry extensive selections of wine, and even fewer carry U.S. wine.

Most restaurants serve Chinese food, which rarely is accompanied by wine. However, western-style restaurants are becoming more abundant and are more likely to provide a wine list.

Several attempts have been made to serve wine in Chinese restaurants frequented by westerners. Progress in this direction has been slow.

Surge Creates Storage Problems

The proliferation of brands and surge in imports has bombarded importers and consumers with new products. It has also

worried the TTWMB, which faces continued surpluses of domestic wine and brandy which cannot be sold.

U.S. and other imported wines have encountered difficulties in storage. The Bureau estimates that a quarter to a half of the 1987 wine imports into Taiwan are still in storage.

Although sales of U.S. wine are up, U.S.-Taiwan wine trade is not without problems, including high monopoly taxes and limitations on advertising. The high monopoly tax continues to act as a trade barrier since it raises the price of imported wine far above that of domestic wine and of competing beverages.

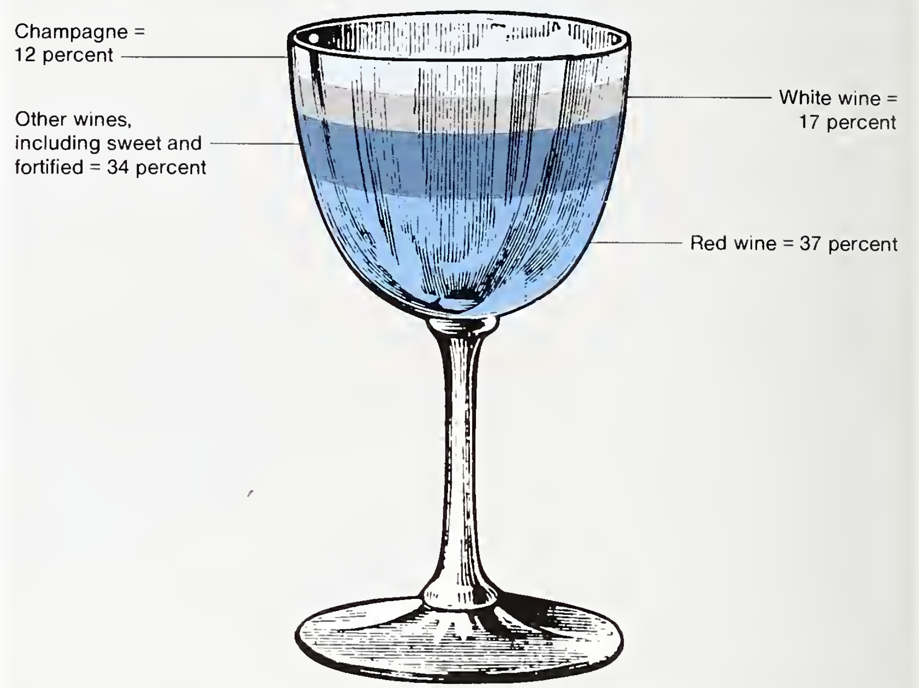
Although the agreement between the United States and Taiwan has expanded the possibilities for wine advertising and promotion, certain types of activities continue to be prohibited. Wine may not be advertised on television or radio, the most effective media for increasing sales.

These restrictions apply to both imported and domestic wines. Individual wineries and importers are prevented from running promotional activities in hotels, bars and discos, and are limited to retail outlets. U.S. wineries have been prevented from participating in local food fairs, further hindering the promotion of U.S. wines in Taiwan.

Further negotiations are underway to clarify the definition of alcoholic versus non-alcoholic beverages because of disagreement on how to classify non-alcoholic malt beverages for tariff purposes. ■

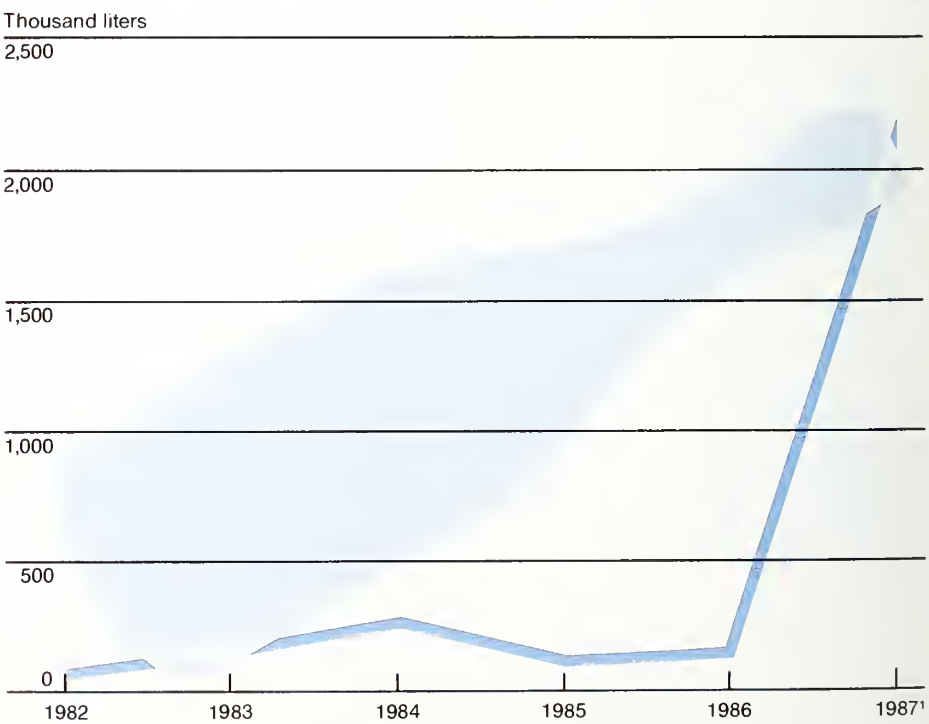
The author is with the Export Credits Division, FAS. Tel. (202) 447-5780. Until recently, she was with the Horticultural and Tropical Products Division, FAS.

Taiwan Consumers Prefer Red Wine



Total 1987 imports (Jan.-Nov.) = 2.12 million liters.

Liberalization Has Caused Surge in Taiwan's Wine Imports



[1]January-November data.

Hong Kong

Duty Cut Could Give Added Boost to Brandy Imports

Hong Kong's imports of brandy shot up 48 percent in 1987, and a recent lowering of the duty on brandy in Hong Kong could increase the size of the market still further. This could lead to additional sales opportunities for U.S. exporters.

Brandy is one of the few commodities that are subject to duties in Hong Kong. The new duty schedule, which became effective on March 2, 1988, brings the specific rate on brandy down from HK$67 per liter to HK$55 per liter (U.S.$1 equals HK$7.8). The ad valorem rate was increased from 20 percent of the c.i.f. value to 30 percent.

Imported brandy needs to be accompanied by a certificate of origin which contains such analytical and other particulars as to enable the liquor to be readily identified. A certificate of age also should be presented. A permit will not be issued for the removal of the liquor for brandy or whiskey if it has not been matured in wood for at least three years and contains an alcoholic strength of not less than 40 percent by volume at 20 degree Celsius.

Neither stamp taxes, value-added taxes or sales taxes are applied to brandy. Hong Kong's 1987 brandy imports by sources are shown below.

Source	Liters	Value in HK$
France	7,988,067	886,388,406
China	206,220	23,532,186
South Africa	53,591	1,009,048
Greece	52,957	2,474,035
United States	26,504	4,053,676
Japan	25,025	3,700,738
Italy	19,062	2,702,162
Macau	17,430	2,299,950
Singapore	13,820	4,376,300
United Kingdom	8,441	624,222
Thailand	4,620	336,600
Malaysia	4,200	2,040,400
Taiwan	3,210	486,500
Cyprus	2,850	55,000
West Germany	1,791	86,705
Netherlands	630	204,650
Korea	230	35,544
Belgium/Luxembourg	135	44,406
Total	**8,428,783**	**934,450,528**

—Phil Holloway, U.S. Agricultural Officer, Hong Kong.

Ireland

U.S. Agricultural Sales Set New Record High

Ireland's agricultural imports from the United States achieved another record last year, reaching over a quarter of a billion dollars. The U.S. volume share also increased for many commodities, including nongrain feed ingredients, forest products, cotton and fruits and vegetables. The more attractive dollar was a significant factor in the gains.

Leading Irish exports to the United States were casein and beverage bases, both of which also reached record proportions. The phenomenal growth in Irish exports of "miscellaneous food products" reflects the rapid development of the beverage base industry, encouraged by a generous government industrial establishment policy. Continuing problems in the racing industry again reduced imports and exports of horses.

If dollar parities stay at current levels, a further increase in U.S. exports to Ireland are in prospect for 1988, with emphasis on nongrain feed ingredients, cotton, health foods, fruits and vegetables, and other foodstuffs.—*Rolland E. Anderson, Jr., U.S. Agricultural Counselor, London.*

Malaysia

U.S. Agricultural Sales Showing Increased Vigor

The decade of the 1980s has not been a good one for U.S. agricultural exports to Malaysia, but the stage may be set for a recovery in the U.S. market share.

Since reaching a peak of 11.5 percent of the total agricultural market in 1983, the U.S. share of Malaysia's agricultural market has fallen steadily, capturing only 7.4 percent for the first nine months of 1987. By and large, the decline can be attributed to slumping U.S. sales of bulk commodities—particularly soybeans and wheat. In the early 1980s, the United States dominated the Malaysian soybean market and the U.S. share of the wheat market was approaching 25 percent. However, during the last three years, China virtually knocked the United States out of the soybean market, while the U.S. share of the wheat market has fallen to 10 percent.

The U.S. market share may be on the verge of recovery, however. During the last three months of 1987, the United States took over as the premier supplier of corn, with sales of nearly 300,000 metric tons. Additional sales are expected to continue at a rate of 50,000-70,000 tons until the middle of 1988. In the soybean market, too, the United States has emerged as an important supplier. China was out of the soybean market for the last few months of 1987, providing U.S. exporters with an opportunity to reenter the market with sales of 40,000 tons. These positive developments should lead to an increase in U.S. market shares for 1987 and 1988.

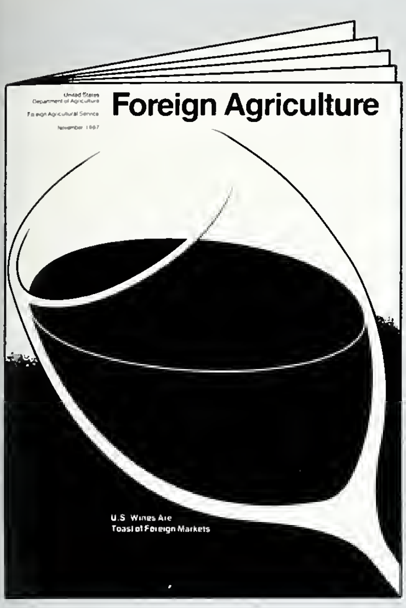
It is possible that these temporary gains may be transformed into permanent business in the coming years. Although Thailand is the natural corn supplier to the Malaysian market, many importers have been satisfied with their purchases of U.S. corn. Further, U.S. exporters are reliable suppliers and since the enactment of the 1985 farm bill, U.S. prices on a freight on board basis are competitive. In the soybean market, many traders feel that rising domestic requirements will force China to abandon the soybean/meal export business within a few years. If this scenario materializes, it is possible that the United States will once again assume its dominant position as the leading soybean supplier.—*Frank Tarrant, U.S. Agricultural Attache, Kuala Lumpur.*

West Germany

Rice Use Gains Ground; U.S. Exports on the Upswing

Consumption of rice has been on a noticeably upward trend for the past few years after stagnating during the early 1980s. Rice, noodles and additional vegetable consumption are replacing the traditional potato as the No. 1 German food item. Rice millers are confident that this trend will continue into 1988.

The market share for parboiled rice is estimated to have increased to about 60 percent in 1987. The majority was U.S. long-grain parboiled rice. Competitive prices for U.S. rice have pushed U.S. shipments up 64,126 tons in 1987. U.S. deliveries primarily replaced Thai rice (cargo and fully milled) and Italian fully milled rice.—*Gerald W. Harvey, U.S. Agricultural Counselor, Bonn.*



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